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Paper

Towards an Integrated Socio-Economic Theory and Policy

**Institutional Conditions of
Transitional Labour Markets**

WORC Paper 96.12.025/1

**Frans Kerstholt
Jan van Wezel**

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Area III:

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Social Exclusion and Social Integration

in Europe

**Research Projects on
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(TRANSLAMS)**

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V = social exclusion
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Towards an Integrated Socio-Economic Theory and Policy

Institutional Conditions of Transitional Labour Markets

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Keywords: transitional labour markets, theories of labour markets, coordination regimes and mechanisms, perfect labour market, optimal societal situation, deviations, social inclusion in Europe, household and working time flexibility, social integration,

1. Introduction

High unemployment and unacceptable levels of social exclusion in Europe inspired the European Commission to launch the Fourth Research Promotion Programme on Targeted Socio-Economic Research. The research group *Social Integration by Transitional Labour Markets*, coordinated by the Social Science Research Centre in Berlin (WZB), is one of the groups that try to make a contribution to a considerable reduction of the problems mentioned above. The Department of Sociology of Tilburg University, The Netherlands, is one of the participants in the research.

The research programme consists of four modules:

1. a module on Theory of Transitional Labour Markets;
2. a module on Households and Working Time Flexibility;
3. a module on Active Labour Market Policy;
4. a module on Training and Human Capital Investment.

With the exception of module four our department participates in all modules.

The present paper is meant to be a theoretical contribution to the modules two and three. The outline is as follows.

We start with a brief statement of the central research problem. Then the key objectives of the program will be sketched. In the next section we present an overview of labour market theories which are currently used for the explanations of unemployment and which have

implications for the understanding of social exclusion. Discussion of the theories presented will lead us to suggest an alternative approach. To that end we will first dwell on literature about coordination regimes, conceived as institutions, and coordination mechanisms. In that section we propose some connections between coordination regimes and ideologies as expressions of basic value-patterns. Finally we present a more integrated socio-economic approach, which can be used in the research programme Social Integration by Transitional Labour Markets.

2. The central problem

The leading research problem can be formulated as follows: Which mixture of institutions in the economic-political and social-cultural spheres can be expected to contribute to favourable socio-economic performance, i.e. low unemployment and low exclusion, and which combinations of coordination regimes will probably produce poor socio-economic performance, i.e. high unemployment and high exclusion?

G. Schmid has proposed to tackle the problem in terms of what he calls a theory of transitional labour markets. It is his conviction that the relationships between institutions and social exclusion/integration are mediated by labour markets: "The key hypothesis is that the borders between the labour market and other social systems such as education and family life have to become more open for transitory states between gainful employment and productive non-market activities in order to alleviate present high structural unemployment, to prevent further exclusion from the labour market and to reduce segmentation or occupational segregation of the labour market." (Schmid 1996: 2)

Transitional labour markets are characterized by open borders with other social systems and encourage mobility ('transitions') across these borders without inducing downward spirals of social exclusion. They are supposed to optimize people's lifetime societal participation.

The concept is developed on the basis of a 'modernized concept of full employment' defined as "an average working time of 30 hours a week over a life cycle of both men and women". Transitional employment are "called the phases in the life cycle in which the working time deviates substantially from the new standard of 30 hours." Examples are spells of short time work, training and retraining, temporary leaves. Transitional labour markets are "institutional arrangements that allow such intermediate phases." (Schmid 1996: 4) The necessity of mobility and flexibility together with the idea of 'work sharing', which is seen as expressing cooperative attitudes, are the core ideas on which the theory is built¹.

According to Schmid five types of transitional labour market can be distinguished: "transitions between short-time work or part-time work and full-time employment, or transitions between dependent work and self-employment or a combination of both (1); transitions

¹ For a possible gloomier side on 'work sharing' see for instance Akerlof and Yellen. They mention the possibility of "'work sharing' equilibria in which a larger number of workers receive less than fair wages and work at less than full efficiency." (Akerlof and Yellen 1990: 274)

between unemployment and employment (2); transitions between education or training and employment (3); transitions between private (domestic work and employment (4); and transitions from employment to retirement (5)." (Schmid 1996: 9)

His paper is largely devoted to an assessment of the different ways in which active labour market policies could promote patterns of mobility that conform to the principles of productivity enhancing flexibility and work-sharing. The possible contributions of public or politically induced policies form a prominent part of Schmid's argument.

In our paper we will try to broaden the scope of the approach. We will concentrate on interdependencies between different societal spheres and the institutions that are part of them. The goal is to explore the ways in which these interdependencies might influence the transitional labour market processes and outcomes that Schmid has drawn our attention to.

3. The key objectives

The key objectives of our research are:

- 1: the development of new theoretical and empirical knowledge about social exclusion and social integration in Europe;
- 2: to strengthen the theoretical, empirical and methodological anchoring of the social sciences in the countries of the European Union in the field of social exclusion and integration;
- 3: to contribute to social integration policies, in dialogue with groups of key policymakers and representatives of institutions that are actively involved in combatting social exclusion and promoting social integration.

4. Theories of the labour market: promises and limits

4.1 Introduction

It is possible to distinguish three general conceptions of the labour market (H. Pfriem, 1979: W. Bremer, 1991; A. Glebbeek, 1993):

- A. the labour market as an exchange market;
- B. the labour market as an arena;
- C. the labour market as an institution, as an organization.

Each conception or paradigm has engendered a number of specific theories.

4.2 Theories within the paradigm of the labour market as an exchange market

We distinguish four theories within the paradigm of the labour market as an exchange market.

The Labour Market as an Exchange Market
<ol style="list-style-type: none">1. The neoclassical economic theory2. The search-theory: the result of relaxing the assumption of complete information typical of neoclassical theory3. The human capital theory: the result of relaxing the assumption of homogeneity of labour typical of neoclassical theory4. The efficiency wage model: the assumptions of certainty and complete information are relaxed; the assumption of risk-sharing adopted

Scheme 1: Theories within the paradigm of the labour market as exchange market

4.2.1 The neoclassical economic theory of the labour market

The central assumptions of neoclassical economic theory are:

1. Perfect competition:
 - 1.1 Free wage determination: high supply and demand so that no single party is able to set the wage rate;
 - 1.2 Complete information;
 - 1.3 Homogeneous labour resulting in perfect mobility
2. The objective of individuals is the maximization of economic utility (economic rationality)
3. The labour market will reach equilibrium (because of the assumptions one and two):
 - a wage level with equilibrium between demand and supply;
 - differences in wages express different levels of productivity. (De Galan, 1981)

Theories 2 and 3 are derived after relaxing the assumptions of complete information and homogeneity of labour, respectively (see scheme 1).

4.2.2 The search theory

Compared with the neoclassical economic theory the assumption of complete information is relaxed in the search theory. Relaxing this assumption produces a scientific problem, which the search theory tries to solve. C. Holt (1971) is one of the relevant writers. Information is limited in the labour market. Acquiring information is not costless, but it might help finding a better job. Job hunting employees have either to accept a job with a given pay or they have to continue looking for a higher paid job. They will go on looking for a job as long as the subjectively (expected) extra pay exceeds the extra (expected) search costs. The best available job will be accepted when the marginal benefits equal the marginal costs.

In the search theory it is assumed that employees are looking for new or other jobs because of the expectation of better paid jobs. Employers are also looking for employees. They keep vacancies unfilled because they expect to find cheaper employees. In the search theory the

assumptions of free competition, homogeneity of labour and maximization of economic utility are maintained.

The macro level variant of the search theory is a labour turnover theory. This focusses on flows and transitions of job seeking employees and vacancies.

4.2.3 The human capital theory

The human capital relaxes the assumption that labour is homogeneous (Gary Becker, 1964). Investment in human capital is analyzed as a utility maximizing decision. Education and training are the archetypes of this kind of investment. An higher educated employee is more productive and will receive a higher income. Scheme 2 illustrates these connections.

Investment in Human Capital → Productivity → Income

Scheme 2: Causal relationships between human capital, productivity and income.

Differences of human capital imply heterogeneity of labour.

4.2.4 The efficiency wage model

The efficiency wage theory tries to explain wage rigidity in the case of excess-supply of employees. Then the wages are above the market clearing rate. Why are the wages not flexible? The theory seeks the explanation in a remarkable reversal of causality between income and productivity, as compared to neoclassical theory. The causal relationship, though unchanged positive, is seen to run from income to productivity. Employers and employees share risks. Employees adjust their productivity to the wage paid. The advantages of efficiency wages are:

- Forced dismissal is a real sanction;
- Turnover is restricted;
- Internal training becomes profitable;
- Their functioning as a motivating signal ;
- Efficiency wages enable employers to match persons and jobs. (A. Glebbeek, 1993)

Given their interests in the control of the labour process employers face strong incentives to put the wage level above the market price. The resulting efficiency wages are a cause for labour market segmentation.

A characteristic of the four theories within the paradigm of the labour market as an exchange market is the emphasis on individualistic and economic rationality. The theories materialize in equilibrium models.

The most important policy recommendations resulting from the paradigm of the labour market as an exchange market are:

- lower benefits than wages and abolition of minimum wages are expected to spur economic incentives
- free wage determination, flexible dismissal law and the abolition of collective agreements;
- encouragement of education and training.

4.3 Theories within the paradigm of the labour market as an arena

4.3.1 Introduction

Within the paradigm of the labour market as arena we distinguish three theories (see scheme 3).

The Labour Market as an Arena
1. The Neo-Marxist Conflict-theory, in particular the Theory of the Reserve Army
2. The Segmentation Theory
3. The Radical Labour Market Theory

Scheme 3: Theories within the paradigm of the labour market as an arena

The paradigm of the labour market as an arena contains three essential elements:

1. An important opposition between capital and labour, owners of the means of production and non-owners.
2. Employees have no choice but to supply their labour capacity if they want to survive.
3. There is a distinction between labour capacity and labour performance. Labour capacity is supplied, not labour performance. Via the labour contract the labour capacity is transferred. The labour contract is a source of conflicts.

Employers strive after efficiency, low wages and wage-costs, and control of the labour performances. There is a strong parallel between the opposition of interests in the labour market and those in the labour process. Important themes are the influence of labour relations on the labour market and on collective conflict and property.

4.3.2 The Neo-Marxist Theory of the Labour Reserve Army

In their attempts to control the labour process and to achieve efficiency, employers typically engage in strategies of divide and rule. Wages are the outcomes of power processes. Employers' behaviour is mainly economizing. Technical innovations are designed and introduced in order to reduce the volume and quality of employees. The internal market is kept as small as possible.

Labour market processes can not be explained in terms of free market exchange. The superior power position of the employers within the labour process determines the distribution of the proceeds as well as of privileges.

The capitalist labour process involves both a formal and a real subordination of labour, and it is characterized by a sharp division of control and execution.

Ongoing rationalizations have two important results:

1. the constant degradation of functions and segmentation;
2. a structural labour reserve army.

The degradation of functions and the concomitant segmentation process produce a fall in wages. The existence of the labour reserve army facilitates the disciplining of employees. Unemployment is an inevitable result of rationalization. Inequality is a result of segmentation into a privileged primary segment, a subordinate primary segment and a secondary segment with sub-class.

According to some authors capitalist development passes through two phases:

1. a phase of economic growth characterized by capital widening investments which do not lead to a significant increase in productivity as measured by the production function. Wages and employment rates initially rise. As strong increases of wages erode the returns to labour, the demand for labour decreases. Wages fall and the accumulation ratio increases.
2. The second phase of accumulation of capital is linked to changes in production technology which entail a relative decrease of employment. Aggregate demand does not rise, and consequently the demand for labour decreases. The relatively more productive firms attain higher market shares which are reinforced by concentration processes, like mergers etc.. (W. Semmler and J. Hoffmann, 1972)

4.3.3 The Segmentation Theory

The starting point of the segmentation theory is the consumers' market (Altman and Bechle (1971), Lutz and Sengenberger (1974), Sengenberger (1975), Mendijs a.o. (1976)). Control of the labour process and the achievement of a measure of autonomy from societal developments are important strategies in the pursuit of profit. The segmentation theory has two variants: a more conjunctural variant, and a more structural one.

Conjunctural fluctuations in supply and demand of goods and services cause two processes:

1. temporary adaptation of supply of products and of production factors by measures that stimulate performance and speed, flexibilization of the volume of employees as well as time flexibility. Time flexibility can be increased by changes in labour time, overtime, irregular work hours, easier hiring and firing practices.
2. stabilization of the marketing of products by manipulation of delivery time and stocks.

These two processes lead to a dual labour market. The reactions to the conjunctural fluctuations result in segmentation which implies a reduction of mobility. There is a stable segment, which is minimally necessary for survival during an economic downturn. In addition there is a variable secondary segment that consists of employees with low qualifications, who are cheap and easy to recruit. Developments in consuming markets also result in a dualization of firms and sectors.

Structural developments result in a segmentation of three markets:

- occupational markets. Here one finds a broad array of occupational education, knowledge and skills. As the skills of employees are potentially useful for other firms as well, it is not rewarding for individual firms to invest in human capital. Investments by the employees themselves in occupational skills can be rewarding.
- firm-internal markets. The qualifications are firm-specific. The firm provides on-the-job-training. Allocation and reward occur according to institutional rules of entrance, seniority, promotion and wage-systems.
- non specific open markets. General qualifications and low levels of required education are the rule here. Without loss of production these qualifications are of potential use for all sorts of firms. The employees are mobile. The principles of market exchange determine the price and use of their skills.

4.3.4 The radical labour market theory

The radical labour market theory was originally formulated by the labour economists Reich, Gordon and Edwards (1975). The production process, in which the use of labour capacity is situated, constitutes the point of departure. The demand side of the labour market dominates the production process. The behaviour in the external labour market reflects the processes of production. The institutional rules governing the control of production, the social production relationships and the conflicts of interests have to be examined. The principle of divide and rule is widespread. The structure of the demand side determines the segmentation of the labour market. Employers actively bring about segregation within the ranks of the employees. Economic efficiency and control are objectives.

The following strategies of control can be distinguished:

1. Taylorism, formal rules and procedures, a bureaucratic control system, separation of control and execution.
2. Internal markets with assessment of performance, wage and promotion systems based on norms with respect to behaviour and performance.
3. Job requirements are embedded in educational qualifications which separate the primary from the secondary segment; hierarchy and classification are dominant features.
4. A separation exists between core and peripheral firms, which is strongly associated with dualism in working conditions and patterns of mobility.
5. Manipulation by employers also extends to the external market where employees are played off against each other, on the basis of characteristics like sex, ethnicity and age. The chances that employees organize themselves and even might oppose the employers are minimized in this way.

Segmentation of the labour market is supportive of capitalist hegemony. The strategies institutionalize labour discipline and social behaviour in the context of the control system.

4.4 Theories within the paradigm of the labour market as institution

4.4.1 Introduction

In this paradigm the role of institutions moves to the forefront. We will discuss three theories.

The Labour Market as an Institution
<ol style="list-style-type: none">1. The theory of non-competing groups.2. The theory of the dual labour market.3. The job-competition theory.

Scheme 4: Theories within the paradigm of the labour market as institution.

4.4.2 The theory of non-competing groups

Some labour economists and sociologists emphasize institutional and administrative rules (J. Dunlop, 1958; L. Reynolds, 1951, 1956; J. Lulofs, 1960; W. van Voorden, 1975). The model of open, free competition doesn't hold because of:

- the existence of non-competing groups;
- the existence of types of market such as monopoly;
- the use of collective power in wage-bargaining;
- relative autonomy of agreements, i.e. a limited impact of market processes.

In the case of non-competing groups wages are not determined by market forces, but by power processes, institutions and customs, which were traditionally regarded as market external factors. A division between the wage market and the job market is observed. Collective agreements play a crucial role in the process of wage determination. This process is highly institutionalized by collective bargaining and agreements. The allocation process is also institutionalized by the operation of formal systems. Not only the allocation function of the labour market is important, but the distribution function as well.

Kerr (1982) was one of the first scientists, who made a distinction between a closed and an open segment. The closed segment is been structured in agreement with a set of rules and is linked to specific firms and occupations. In the open segment market principles determine wages and allocation. Kerr does not explain why this segmentation arises. The theory of the dual labour market proposes some explanations.

4.4.3 The theory of dual labour market

Doeringer and Piore (1971) are the fathers of the dual labour market. Reciprocal influences between production structures and labour market structure form the starting point of the theory. The fundamental distinction is between:

- the primary segment where the stable, better paid jobs offering career opportunities in internal markets are concentrated;
- the secondary segment with bad jobs and poor perspectives.

An internal market is an administrative unit, within which, based on administrative rules and procedures, the processes of wage determination and allocation take place. As consequences of technological developments, the specific features of on-the-job-training and the development of customs firm specific rules and procedures, come into being. In the secondary market a vicious circle of exclusion and stigmatization evolves: prejudiced groups on the basis of estimated productivity → no entrance to permanent jobs and internal education → insufficient skills → unstable career → prejudiced groups.

4.4.4 The job competition model

L. Thurow introduced the job competition theory (L. Thurow, 1975; J. van Wezel, 1979). Productivity is analysed as a characteristic of jobs, not of employees. Wage competition gives way to job competition. Equilibrium is not explained in terms of the price mechanism, but it is seen as a consequence of (change in) selection standards. The concepts of relative education rank and schooling costs are important. Employers rank employees on the basis of estimated education and training costs, indicated by basic characteristics such as education, sex, ethnicity, age and experience. This process is called statistical discrimination. The resulting queue is led by the persons with the lowest estimated training costs; employees with high education costs close the ranks. When the number of jobs is lower than the number of work seeking persons, the employees in the last positions are crowded out of the market. Higher educated persons get jobs that used to be given to persons with intermediate levels of education, etc. etc. The lowest educated persons become unemployed.

4.5 Conclusion

In the present section we have presented a brief overview of ten theories of the labour market, ordered into three paradigms. Though useful for many purposes the theories do not add up to a coherent picture of labour market processes. For several reasons this is a situation that should be remedied:

- Most theories are general; this means that they include or imply empirical generalization which, even in the case of clear empirical substantiation, do not even yield a remotely comprehensive analysis of the labour market.
- Being not comprehensive the theories must be seen as theories of the middle range. The question is then: what relations do these theories bear to one another?;
- With the exception of the neoclassical theory clear ideas about possible equilibria are missing. We need a more balanced theory of the conditions of equilibria;
- With respect to methodological matters the theories show differences which should be explicitly addressed and perhaps remedied: some theories emphasize individualistic and micro level characteristics, whereas others concentrate on collective and macro level characteristics; some theories emphasize processes related to utility and power, whereas other theories point at mechanisms that are expected to produce solidarity, trust and a sense of justice. We need more clarity in these matters and perhaps some methodological and theoretical bridges.
- The partial and provisional character of the theories is not sufficiently emphasized. This means that the danger of committing the fallacy of misplaced concreteness is looming which could be very harmful when policy recommendations are formulated.

In order to improve the scientific relevance of labour market theory as well as its relevance for the design of policies we propose to broaden the scope of the theory.

In the following sections we will present a more general and integrated conceptual framework. Within this framework the more restricted theories, like for instance the ones we have discussed, can play a valuable role.

We wish to emphasize that we regard the framework to be presented as a formal model as advocated by R. Boudon (1986, 1987). According to Boudon the search for social-scientific laws is doomed to remain unsuccessful. The most we can achieve is to arrive at explanations of concrete events, processes or relationships in terms of models, defined as "a deductive system resting upon highly simplifying assumptions". (Boudon 1987: 55) A theoretical model does not as such admit empirical predictions. It "is formal in the sense that it does not apply to any real situation, but is rather a kind of framework that needs to be filled out once we propose to use it to account for observations about the real world." (Boudon 1986: 202)

According to Boudon the 'filling out' can best be done with the help of the method of decreasing abstraction. In our case this will involve, amongst other things, the empirical interpretation and operationalization of abstract concepts, the specification of the institutional context and the specification of actors and their mutual dependencies. Throughout the process, the proper rules of parsimony have to be observed (see below 6.3.1).

We will first examine some recent publications which deal with theoretical approaches to coordination regimes and mechanisms. This literature might provide suggestions as to how to elaborate a more complete theoretical framework that can hopefully be made fruitful for the study of transitional labour markets.

5. Theoretical approaches to coordination regimes and mechanisms

5.1 Coordination regimes and mechanisms

Various models of coordination regimes and mechanisms have been described in the literature. M. Havekes (1993), J. van Wezel (1992, 1994) and J. van Wezel and M. Havekes (1995) have summarized these approaches. Some authors emphasize the institutional form of coordination, other writers the coordination mechanisms. These mechanisms constitute the link between structure and action. In the next scheme a typology of coordination regimes and coordination mechanisms is given. Two dimensions are relevant: the dimension freedom (first column) versus limiting controls (second column) and the dimension inequality (first row) versus equality (second row).

Ouchi (1980) distinguishes between markets, bureaucracies and clans.

Williamson (1981) makes a distinction between a spot-market, an obligational market, a relational team and a primitive team.

Streeck and Schmitter (1991) have distinguished four coordination regimes and associated coordination mechanisms: markets coordinated by competition, the state coordinated by hierarchical control, community coordinated by spontaneous solidarity, and associations coordinated by organized concertation.

Fiske (1991) focusses on process related coordination mechanisms. He distinguishes four elementary types of interaction and claims that these form the basis for all human actions in social relations: market pricing, authority ranking, equality matching and communal sharing.

Schmid (1992, 1993) stresses markets coordinated by prices, hierarchies coordinated by power, networks coordinated by trust and civil rights coordinated by solidarity.

Thompson (1993) has used slightly different dimensions. He uses the dimension competitive/cooperative instead of the inequality/equality dimension. The dimension freedom/controls is replaced by independence vs. hierarchy.

In the analytical model of Parsons and Smelser the following structures are used: economy, polity, societal community and social-cultural system. In the article 'Equality and Inequality in Modern Society, or Social Stratification Revisited' Parsons (1977) used the dimensions inequality/equality and freedom/constraints as constitutive for this scheme.

1 market 2 spot-market 3 market: competition 4 :market-pricing 5 market: prices 6 classic market 7 economy: money	1 bureaucracy 2 obligational market 3 state: hierarchical control 4 :authority ranking 5 hierarchies: power 6 bureaucracy 7 polity: power
----- 2 primitive team 3 association: organized concertation 4 : equality matching 5 network: trust 6 network structure 7 social-cultural system: commitment	1 clan 2 relational team 3 community: spontaneous solidarity 4 :communal sharing 5 civil rights: solidarity 6 clan 7 societal community: influence

Scheme 5: A typology of coordination regimes and coordination mechanisms.

1. Ouchi (1980).
2. Williamson (1981).
3. Streeck and Schmitter (1991).
4. Fiske (1991).
5. Schmid (1993, 1994).
6. Thompson (1993).
7. Parsons and Smelser (1956).

Streeck and Schmitter establish a direct relation between the coordination regimes and the coordination mechanisms.

Schmid refers to regulatory media: prices for the market, power for the bureaucracy, trust for the network and solidarity for the civil rights.

It should be mentioned here that, following recent developments in labour economics, Schmid analyzes trust and solidarity as playing an indispensable role in any conceivable process of simultaneously optimizing the important societal goals of equality and efficiency (productivity) (Schmid 1994).

Trust and solidarity enable effective and productive cooperation: "considerations of incentive and justice speak against excessive wage differentials" (Schmid 1994: 268). According to Schmid the willingness of employees to apply their 'tacit knowledge' is crucial in a time in which competition is strongly based on both process and product innovation. The capacity and willingness of people to reciprocate is essential for Schmid. Institutional arrangements which can be expected to enhance reciprocation should be promoted.

Schmid also argues for what he calls 'civil rights' institutions, defined as: "Institutions that endow individuals with entitlements ... according to socially accepted standards of equality and independent of individuals' capacity to reciprocate Their exchange medium is solidarity ..." Civil rights, consisting for instance the expectation of "a fair replacement of ... wage in case of unemployment", are considered an important institution governing the employment relationship. They provide and help maintain the incentive structure that is indispensable to cooperation and productivity (Schmid 1994: 260). In a transitional labour market they create the sense of security that is needed when people are adversely confronted with the consequences of economic flexibility.

The four coordination regimes can be seen as ideal types, which hardly ever appear in pure form in the empirical reality. Each corresponds to one of the four mechanisms. It seems highly probable that the empirical 'unpure' manifestations take the shape of mixtures of the four types of regimes and mechanisms.

An interesting problem concerns the explanation of institutionally mixed types of coordination regimes. We think that this problem can be solved if one focusses in the first place on the mechanisms involved. The argument is that these mechanisms directly refer to behavioural patterns which in general function as the source from which institutional forms, including coordination regimes, originate.

The mixtures of coordination regimes consist of the various mechanisms, and can be identified in terms of these mechanisms. Combinations of coordination mechanisms make many more institutional forms possible. Different coordination regimes often exist side by side. The processes that give rise to mixed coordination regimes can be interpreted as 'interactions' between the constituent regimes and mechanisms. The idea of interchange via coordination mechanisms between the four coordination regimes can be found in the societal model of Parsons and Smelser (1956).

5.2 Coordination regimes and ideologies, basic value-patterns

It is very interesting that the above-discussed dimensions also appear in research about ideologies and values: freedom/controls and inequality/equality. This suggests possible links between coordination regimes on the one hand and ideologies and basic value-patterns on the other hand.

We can distinguish the following four value-patterns (Triandis 1994; Schwartz 1994; Jenssen 1995; see scheme 6).

	Individualism (Freedom)	Collectivism (Limiting controls)
Authoritarianism (Inequality)	Authoritarian Individualism	Authoritarian Collectivism
Egalitarianism (Equality)	Egalitarian Individualism	Egalitarian Collectivism

Scheme 6: Four basic value-patterns: four basic ideologies.

Jenssen summarizes the basic dimensions as follows: "Interpersonal values are beliefs about what is desirable in the interaction between humans...Authoritarian values mean the acceptance of superiority and subordination as natural and desirable in human relations. Egalitarian values mean regarding parity of power as desirable in human relations. Individualism maintains that independence and self-reliance are natural and desirable. Collectivism stands for the desirability of loyalty and mutual responsibility between human beings" (Jenssen, 1995: 56-57).

6. An integrated socio-economic model

6.1 Introduction: our research strategy

Universities have a critical-intellectual task in society. The overview of theories about the labour market and the literature about coordination regimes, mechanisms and basic value-patterns leads us to the conclusion that a more integrated approach is necessary. It is also an important objective of our research program to combine scientific relevance with relevance for social policy. Our strategy will be to propose a broader theoretical approach to the functioning of labour markets. This will hopefully enable a more complete insight into the operation of labour markets. The subsequent application of the concept of transitional labour markets should help us to establish under what conditions the values of efficiency, equality, social justice, social security and optimal lifetime societal participation can be realized. Finally, empirical research will show to what extent the values that concern us here are actually realized.

Our central value-laden research problem is:

Which institutions and which institutional mixtures promise to support a optimal mix between efficiency and justice seen in a lifetime perspective? (cf. Schmid 1994: 259)

6.2: The optimal situation model and the perfect labour market

6.2.1: The optimal situation model

Our point of departure is the socio-economic equilibrium model that is proposed by Parsons and Smelser (1956). This neo-functionalist model has more recently been further elaborated, refined and extended (Münch, 1982, 1984, 1991; Van Wezel and Kuperus, 1990; Van Wezel and Havekes, 1995). It theoretically models a society in its optimal situation. It is not presumed that any empirical society strongly corresponds to this optimal situation. The model provides us with a perspective for the empirical study of society. It is a cooperation or communication model, not a harmony model. The model takes account of the existence of parties with opposing interests which, however, can be resolved, e.g. by democratic consultation.

The starting point is a social system 'interpenetrating' with its environment. A system is able to continue its existence in a changing environment only if the following conditions are fulfilled.

1. The problems of 'adaptation to the environment', of 'the attainment of collective goals', of 'the integration of parts' and of 'the durability of long-term trends of pattern-maintenance' have to be solved. The four functions are: Adaptation, Goal-attainment, Integration and Latency. Together they constitute the AGIL framework.
2. Specialized units and institutions, fulfilling these four functions, exist. These are: the Economy, the Polity, the Community and the Social-Cultural system.
3. Mutually dependent subsystems are related by exchanges of inputs and outputs which implies that they depend on each other for their continued existence. Differentiation and specialization go together with integration. This integration takes the form of interpenetration.

At the level of society the four functions are fulfilled by the following specialized units:

- the function of adaptation by the Economy;
- the function of goal-attainment by the Polity;
- the function of integration by the Community;
- the function of pattern maintenance or latency by the Social-Cultural system.

We conceive these units as coordination regimes which are interlinked by media of interchange and exchange relations. Actors from different spheres of social life use these media of interchange and enter into exchange relationships. It follows that the coordination regimes of the economy, the polity, the community and of the social-cultural system interact with each other. In the optimal situation we speak of 'interpenetration' of coordination regimes. The respective coordination mechanisms associated with the coordination regimes distinguished are: money, power, influence, and commitment. Six exchange relationships can be distinguished.

hed in a society with the four subsystems or coordination regimes. We shall only consider the three exchange relationships involving the economic system.

The exchange processes are mediated and governed by money, power, influence and commitment. The central proposition of the optimal situation model is: "... under properly defined conditions a system high in energy but low in information can be effectively controlled by a system with the observed characteristics - that is low in energy but high in information' (Parsons 1978: 375). This hypothetical situation can be compared with the relationship between a horse and its rider. The horse is much stronger, has much more energy than the rider. Nevertheless the rider can steer and control the horse bringing about a perfect unity. Similarly, in the case of the optimal societal situation, the coordination regimes of the Economy and the Polity are more energetic and flexible than the coordination regimes of the Community and the Social-Cultural system. These last two regimes contain much more social-cultural information. Under conditions of 'interpenetration' an optimal mix of energy and information has been mustered. Such an institutional mixture of the four coordination regimes represents a flourishing marriage between economic efficiency and social justice. Social exclusion is absent.

It is possible to specify the exchange relationships with the economy in the case of 'interpenetration' (see scheme 7). Arrows represent inputs from one system to another one. The letters M, P, I and C designate the media of interchange Money, Power, Influence and Commitment. The letters f and p are abbreviations of factor and product. A factor is pushed from the sending system to the receiving system. A product is pulled by the receiving system.

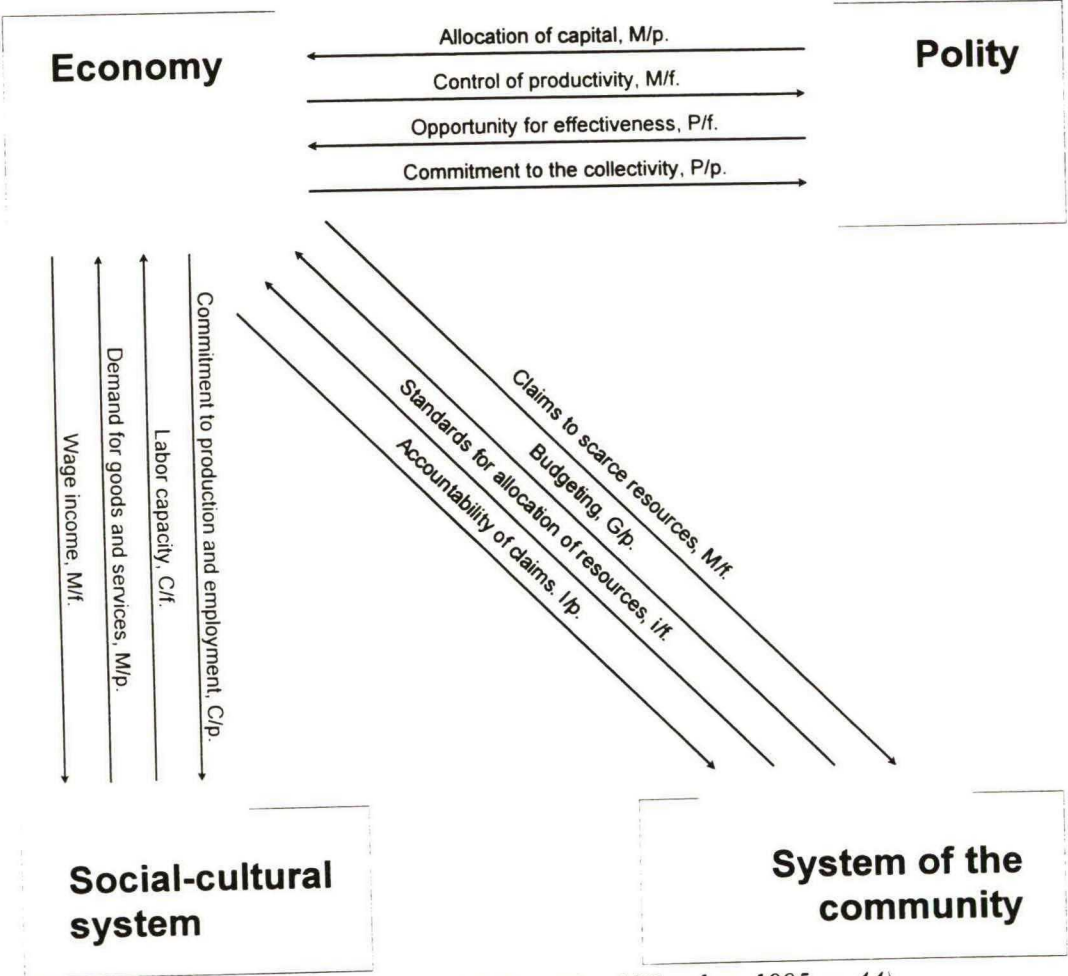
The horizontal axis shows a money exchange of 'allocation of capital' (from the polity to the economy) and 'control of productivity' (in the opposite direction). Here, we have to do with decisions of monetary and political actors on the one hand and of economic actors on the other hand. The money exchange is mediated by an exchange of power. In general horizontal exchange relationships are seen to be means-creating. This also applies to the exchange relationships between the Economy and the Polity. In this connection investments decisions within the Economy are of primary importance: they are pre-eminently means-creating. In the optimal situation there is a favourable mixture of the coordination regimes of Economy and Polity.

The diagonal relations are integrative. Organization and entrepreneurship are involved here. The model indicates a money exchange of 'claims to scarce resources' (by the economy on the community) for the 'ranking of budgets' (opposite direction). This money exchange is mediated by exchange of influence, here taking the form of standards for the allocation of resources and for the accountability of claims. In the optimal situation of the coordination regimes of Economy and Community are favourably hanging together. The system of labor relations is located on this diagonal axis.

The vertical exchange relations are regarded as goal achieving. Links are created between production and sales. There is a money exchange of wage income and demand for goods and services. This money exchange is mediated by an exchange of commitment to provide labour on the part of employees and of a commitment to create employment among the employers.

In the optimal situation there is a favourable mix of the coordination regimes of Economy and the Social-Cultural System.

Recent research by Putnam (1993) has empirically and theoretically revindicated some important insights formulated by classical authors as De Tocqueville and Weber. In his analyses of contemporary Italy Putnam discovered that age-old differences in civic engagement explain the persistent variations in 'political and economic performance' among the Italian regions. Where voluntary associations thrive 'good government and 'good economy' are observed and can also be causally explained from high levels of 'civic engagement'. In other words a flourishing community helps engender the solidarity and trust, in the absence of which organization and entrepreneurship can only suboptimally exist. Putnam stresses the importance of dense, horizontal networks and the norms of reciprocity they generate (Putnam 1993: 163-185; 176)



Scheme 7: The optimal situation model (Van Wezel/Havekes, 1995, p. 44)

It should be mentioned that the analysis of Putnam strongly concurs with Schmid's ideas about equality and efficiency (Schmid 1994).

6.2.2 The perfect labour market

The optimal societal situation implies a perfectly functioning labour market. The labour market is seen as an interchange-zone between the economy and the social-cultural system. The perfect labour market combines economic flexibility and rationality with security and justice. Societal exclusion is minimal. Which are the conditions for the perfect labour market to exist?

There is one boundary condition, and four direct conditions can be mentioned. The boundary condition states the necessity of a good combination of human resources and technological resources. Scheme 8 shows the several stages that can be distinguished in the development of such a well-tuned combination. (Parsons and Smelser 1956: 139).

Phases	Human Resources	Technological Resources
One	Primary Socialization	Given data, information
Two	Generalized Performance Capacity	Codified Empirical Knowledge
Three	Trained Capacity	Technological Know-How
Four	Generalized Labour Power	Generalized Purchasing Power
Five	Labour Commitment to Firm	Capital Funds Committed to Firm
Six	Labour Assigned to Productive Functions	Acquisition of Capital Goods
Seven	Utilization in Task Performance	Utilization in Task Performance

Scheme 8: The fine-tuning process of human resources and technological resources.

To attain the stage of optimal fine-tuning the 'human capital developing institutions' (family, educational system, firms; M. Brinton 1993) are crucial. Here we touch upon the topics of module four of our research for the European Commission: Training and Human Capital Investment. There must be open borders between the several phases in the process of human capital formation. The institutional spheres involved also have to be characterized by open borders to each other. The ideas of J. Dronkers and J. van Hoof about flexible interconnections between education and labour (1980; 1986; 1990) tally with the stage-model of Parsons and Smelser. The flexibility approach emphasizes three main phases in the process of human capital formation:

1. primary socialization and general, non-occupational education;
2. interconnections between occupational education, apprentice systems, getting practical experience, on-the-job training, measures for re-training, updating courses;
3. internal training courses within firms.

The interconnections in stage 2 strengthen the capacity of supply and demand to adapt to changes in the conditions of employment and the labour market. A good threefold system of educational institutions is essential to prevent social exclusion.

We now come to a discussion of the four direct conditions for the perfect labour market (Parsons and Smelser 1956: 114-123; J. van Wezel and M. Havekes 1995: 56-59). Before

doing that two points should be emphasized: in the labour market the human factor has to be motivated, and labour can not be dissociated from the person of the employee. In the evaluations of employees considerations of justice play a role, not just those pertaining to productivity. Physical factors merely have to be maintained (Parsons and Smelser 1956: 134, 137). Therefore a perfect labour market is not only flexible, it also has to be experienced as conforming to standards of justice.

The first function concerns the adaptation function of the labour contract. Here a balance between the interests of the employer(s) and those of the employee(s) has to be struck. This condition is very important in our research module 'Households and Working Time Flexibility'.

With respect to the organization of work we endorse the following analysis: "... on the organization side ego's contract involves him in a set of adaptive relations to other units; this is the organizational context of his role, which includes both the availability of non-social facilities and co-operation of other role incumbents" (Parsons and Smelser 1956: 115). An individual's ability to function in other social contexts should be preserved.

To give an example: in the perfect labour market the housewife does not function as a time-buffer integrating the time-frameworks of labour, leisure, education, care for children etc.. which according to Elchardus' diagnosis of the time- buffer-function of the housewife has been the case into the 1970's (Elchardus 1996: 29-32). This actual situation of the time-buffer function of the housewife was a deviation from the perfect labour market. In the perfect labour market employer-employee are such that women are not excluded from the labour market. Though employers prefer flexibility of working time, they have to make optimal use of human and technological capital; they have obligations to consumers, banks, sub-contractors etc..

With respect to the household situation the following analysis applies: "On the household side, ego must be left a margin of freedom from organizational involvement to adapt to certain household exigencies and secondary those of other roles. Conversely, household demands must be adjusted to allow the fulfilment of occupational obligations. The problem is to strike a balance. The regulation of the demand of time for work is obviously one of the main mechanisms which facilitates this balance" (Parsons and Smelser 1956: 115). In this connection the recommendations of Elchardus are valuable: a four day workweek in combination with longer firm-times; security in combination with flexibility amongst other things to be achieved via cooperatives; the idea of a time-fund to stimulate transitions between social security, education, work, care etc.; an explicit regional time-ordering policy (Elchardus 1996: 78-95). The legal protection of labour regarding hours of work and hiring and firing practices are also relevant here (Knegt a.o. (eds.) 1995: 53-107).

The second direct condition involves the goal-attainment of employers and employees: a balance between labour services, output and wages is needed. In general a power balance, facilitating cooperation, between employers organizations and unions is necessary if this condition is to be met. Collective agreements and their declaration of being generally binding (Knegt a.o. (eds.) 1995: 11-51), institutions of income protection (Knegt a.o. (eds.) 1995:

155-208) and minimum wage regulation can be conducive to the attainment of this second condition.

The third condition is a balance in the integrative aspects of the employment contract. The quality of working conditions and the quality of labour services then go hand in hand. Employees show loyalty and responsibility, and employers provide good facilities, autonomy and for instance relative security of (re)employment etc..

Here, institutions that optimize labour participation and the quality of work are necessary. Again the significance of high levels of 'civic engagement' and its concomitants (horizontal networks, strong norms of reciprocity etc.) have to be stressed.

The fourth condition is a balance of value pattern. Employees have to be motivated to do their job that has to be experienced as attractive. Employers have to take care of an efficient organization of work and productivity. Cultural institutions help to fulfil this condition.

6.3 Deviations from the optimal societal situation and from the perfect labour market

6.3.1 A provisional integrated socio-economic model: the optimal societal situation and its deviations

It is possible to model three deviations from the optimal situation of interpenetration:

- inflation and deflation of media of interchange;
- the possibility of restrictions with respect to the realization of one or more of the functions that we distinguished: adaptation, goal-attainment, integration and pattern maintenance. We are especially interested in the functioning of the economy. Therefore we distinguish four restrictive states of the economy which we regard as models of the middle range: the supply model (restrictions on adaptation), the demand model (restrictions on goal-attainment), the organization model (restrictions on integration), and the model of the greedy economy (restrictions on pattern maintenance).
- types of societal patterns or figurations each of which is a deviation from the optimal societal situation of interpenetration.

The model of the optimal situation model and the deviations from the optimal situation, when applied together, provide information not only about forms and processes of exclusion and integration which are potentially possible, but for example also about any new form of social exclusion which might have arisen compared to twenty years ago. Our theory might contribute to a better understanding of the dynamics of social exclusion and integration and it might help anticipate possible developments with respect to exclusion and integration in the coming years.

We consider the interactions between economic, political, social and cultural factors that can explain the dynamics of exclusion and integration.

A comparative analysis within an integrated approach of the interrelated role of institutions and actors will provide a useful tool for the understanding and identification of different causes of social exclusion:

- more structural and generally relevant causes;
- more specific causes:
 - for a given social group
 - for a particular form of exclusion
 - for a given time and country
 - presenting broader European features.

The overall theme of our proposal is:

The building of a more comprehensive comparative institutional, inter-actor and interdisciplinary model that can be usefully applied for the explanation of exclusion and unemployment in Europe. The model should contribute to the design of a new model for the development of the European Union, as mentioned in the 'Whitebook' of the European Commission (1994: chapter 10, 175-181). The following sections will develop constitutive parts of our model.

The explanatory scheme to be used

The explanatory scheme to be used can be laid out as follows. According to Mouzelis (1995) a distinction can be made between the institutional structure and the figurational structure. The institutional structure is a system of interrelated roles, positions and rules, which we can break up into Economy, Polity, Community and Social-cultural system. The Agil-scheme, elaborated into a model of the optimal situation and into models of deviations, gives us clues as to the compatibility or incompatibility of institutions. We can characterize these institutions in terms of the dimensions of technology, control and ideology. If these dimensions are incompatible, strategic behaviour and games between actors are important.

In order to characterize these games it is important to take account of the positional and the dispositional characteristics of the actors. In addition, the features of the interaction-situation are important. Finally, the hierarchical character of the games is important, together with the fact that actors utilize economic, political, social and cultural capital.

Drawing on the dimensions of the institutions (technology, control and ideology) we will relate to each other the institutional structure and the figurational structure, i.e. the system of interrelated actors. It follows that it is not only the system of interrelated institutions of economy, polity, community and social-cultural system that is important. The figuration of interdependent actors, which influences the reproduction and change of institutions, is equally important. The actual relations of co-operation and/or conflict between (collective) actors affect the institutions in the next phase.

Following Boudon (1981: 97-98, 99-107, 109-123, 123-129) we distinguish three types of institutional processes, two of which are processes of change. Boudon's explanatory scheme depicts causal and feedback processes between the institutional context, the interaction system and macro-outcomes (outputs).

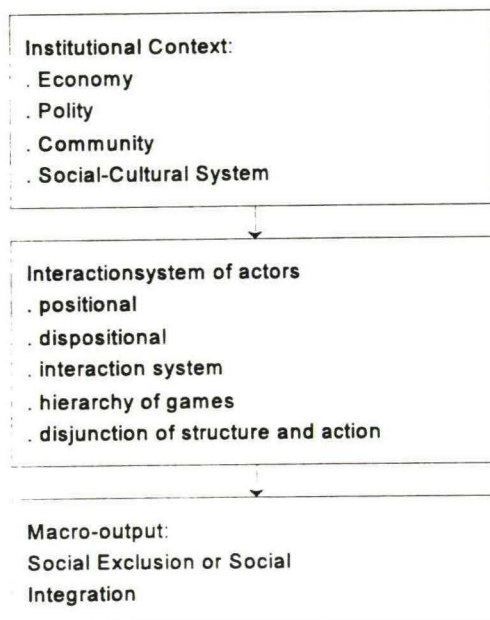
The first type of process is called repetitive process. There is neither feedback from the macro-output to the actions of the actors nor to the institutional context (see scheme 9). Here we see a disjunction of structure and actions; repetitive processes do not cause any changes in the existing coordination mechanisms, which we see as located in what Boudon calls the

interaction system, and the institutional pattern of coordination. Actors reproduce the institutions using current rules and coordination mechanisms.

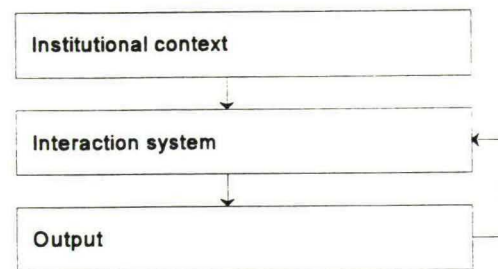
The second type of process is a cumulative process (see scheme 10). There is a feedback from the output to the actions of actors. The institutional context remains unchanged. Examples of cumulative processes are inflationary and deflationary processes. The institutional context is disjunct from both the interaction system and the output. This implies a disjunction of coordination mechanisms and actions.

The third type of process is a transformation process. Here we see feedback from the output to the institutional context. The institutional context changes. In this case there is a disjunction of actions and structure (see scheme 11).

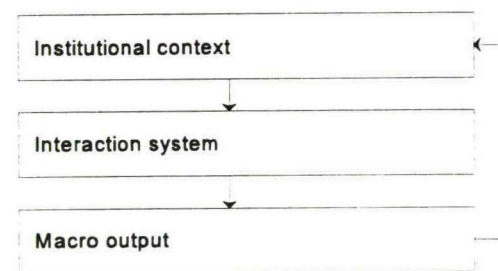
Scheme 9: Repetitive process.



Scheme 10: Cumulative process.



Scheme 11: Transformation process.



Schemes 9 to 11: Three types of institutional processes (Boudon, 1981, pp. 97-98, 99-107, 109-123, 123-129)

This explanatory scheme amounts to a combination of (historical-)institutional analysis with the investigation of interactions (or phenomena that can reasonably be expected to be related to interactions).

A very inspiring, recent example of its use can be found in M. Brinton (1993). She criticizes some influential current theories (e.g. the human capital theory) for being "culturally quite narrow." Her point of departure is: "The social-institutional context and the normative patterns of human relations vary among industrial societies. These variations need to be -and can be- theoretically formulated." Therefore, in order to analyse and explain the economic role of women in postwar Japan she sets out to adjudicate "a balance between an explanation ... based on individual, voluntaristic action and one based on the institutional structures of society..." (Brinton 1993: 17) In short, she argues for "a more cultural and social-institutional approach..." (Brinton 1993: 78) that has to be comparative as well. In line with modern

historical sociology, however, Brinton recommends, to restrict cross-societal comparisons to a limited number of well-chosen cases.

In her research she conducted careful (historical-)institutional analyses of the 'human capital developing institutions' (family, educational system, firms). In this way the institutional context (the environment) was established. Guided by her knowledge of the institutional context Brinton then went on to formulate hypotheses about the values, attitudes, preference and actions of the relevant actors. Finally, a survey was conducted to test the hypotheses. This survey yielded very interesting results to a large extent due to the culturally and institutionally accurate information which had resulted from the (historical-)institutional analysis. Brinton was also able to produce some interesting comparisons of Japan with the USA.

6.3.2 Inflation and deflation of media of interchange

In the optimal situation there is neither inflation nor deflation of the media of interchange. In reality, the media of interchange -money, power, influence and commitment- are susceptible to inflation or deflation.

Money is the capacity to buy goods and services. In the case of money inflation the purchasing power of money decreases. In the case of money deflation the purchasing power increases.

Power is the generalized symbolic capacity to make and make stick decisions on behalf of a collectivity. Power inflation comes about when uncredible threats become frequent. The use of power increases without a concomitant increase of binding decisions. It is only the very powerful who make effective decisions. The effectivity of power peters out. The number of political decisions does not decrease. Small groups yield power based on the threat of violence.

Influence is the generalized capacity to shape attitudes or opinions by implicit or explicit appeals to common group membership. Inflation of influence occurs when actors try to exert influence without support in the community. In that case the will to arrive at compromises is absent. Sharp divisions within the community arise. The use of influence increases but solidarity does not. Deflation of influence can often be observed when influence has only a narrow base, for example colour, ethnicity, age, sex or education.

Commitment is the capacity to specify values in order to make them applicable in particular situations. Inflation of commitment is the will to implement too many values at the same time. This leads to moralizing. Values tend to become deplete of meaning. There is a lot of discussion but straightforward measures are seldom. People lose their trust. Deflation of commitment involves sticking to one's own values implying the incapacity to take into account other values.

We expect that inflation of money generates the inflation of power, of influence and of commitment. Thus we expect money inflation to concur with ineffective political power, with divisions and exclusionary processes within the community and, finally, with value erosion.

Processes of inflation can suddenly turn into deflation. Münch (1991: 356-362) has suggested propositions about the relationships between inflation, deflation and societal dynamics. We can use these propositions to explain exclusion and to explain transitions between integration and exclusion in both directions. Which are the key factors that influence the back and forth between exclusion and re-integration? We have introduced the key factors of integration in the model of the optimal societal situation. Following our diagnosis of the causes of exclusion, we can hopefully formulate recommendations as to re-integration policies.

6.3.3. Theories of the middle range about deviations from the optimal societal situation

We propose four theories of the middle range which we respectively call: the supply model, the demand model, the organization model and the model of the greedy economy. Their common feature lies in the assumption of the absence of relevant restrictions in the optimal situation.

In the optimal situation model there are no restrictions on supply. The supply side of the economy is situated in the zone between the economy and the polity. It is the locus of the supply of production factors, especially capital. Restrictions on supply cause a decrease of investments.

In the optimal situation there are no restrictions on the demand side of the economy. In the case of the demand model there are restrictions on the demand side. The demand side is part of the interchange zone between the economy and the social-cultural system. Restrictions on the demand side diminish the sales of goods and services as a consequence of a decrease in demand for goods and services.

In the optimal situation model no restrictions on the organization side of the economy exist. The organization side is placed in the interchange zone between economy and community. The organization model refers to restrictions on the organization side of the economy. Restrictions on the organization side hamper innovations in product-markets, in production processes and tend to prevent new combinations of labour and capital.

Restrictions on the pattern maintenance of the long term economic culture are absent in the optimal situation. The cultural aspect of the economy is crucial. The model of the greedy economy depicts restrictions in respect of this aspect. These cultural restrictions within the economy weaken the orientation on long-term productivity. Consumption tends to prevail over production. In modern (institutional) economics situations like these are often analyzed in terms of low trust, opportunism and myopia.

The supply model

The central focus of the supply side model are situations in which factors operate that impede investments. We are mainly interested in the consequences of the supply model in terms of social exclusion and integration.

General questions to be answered include the following:

- Are the main characteristics of present forms of exclusion in the European Union connected with the supply model?
- Are there structural supply conditions, producing social exclusion?
- Can we identify the social groups, which are more vulnerable to social exclusion, because of the actuality of the supply model?
- Do different social policies affect the role of unemployment as a cause of social exclusion?
- Is the actuality of the supply model in particular connected with long term unemployment?
- Do changes in social welfare systems as expressed in new budgetary, fiscal and economic policies contribute to the supply model winning ground?
- What is the role, if any, of changing mechanisms of regulation and deregulation?

In order to answer these and other questions comparative research has to concentrate on cross-national and longitudinal analyses of laws, political intervention and the use of governmental power as they relate to exclusion, unemployment and integration.

An important theoretical question that has to be addressed is which theories and models of labour markets can be usefully employed in the examination of the supply model. In addition, the possible use of other theories should also be considered.

The following list which we, by no means, do pretend to be exhaustive might be useful:

Schouten's model of 'monopoly-laborism' (Schouten, 1980)

Operating with an analytical framework in which economic society is seen to be swinging back and forth between two disequilibria: monopoly-capitalism and monopoly-laborism. They are characterized by power advantages of the employers and workers, respectively.

Under conditions of monopoly-laborism Schouten expects negative effects on the level of investments, i.e. the actuality of the supply model.

The search theory

Untransparent labour markets resulting in high search costs can bring about the characteristics associated with the supply model.

The human capital theory

Several human capital limitations might lead to reductions in the level of general investments. One could think here of Williamson's (1985) analysis of the dangers of 'hostaging'² applied to employer-employee relations where insufficient 'sharing arrangements' have been realized and one of the parties involved might be tempted to opportunist behaviour. The worker who has invested in firm-specific human capital is the most immediate and clear example.

Situations like this might reduce desirable human capital investments and in that way contribute to the sway of the supply model.

² In cases of hostaging one side to a contract pledges property in order to protect the interest of the other side (Eggertsson, 1990, p. 171).

More in general attention should be directed at situations which elicit insufficient incentives to human capital investments.

Efficiency wage models

Efficiency wage models (Akerlof and Yellen, 1986) have initially been introduced to offer explanations of involuntary unemployment. The first generation of these models referred to employers' wage-setting decisions which are considered to be taken in the context of profit maximizing investment strategies. Though it is true that Akerlof's rightly stressed the combination of efficiency in production with exclusionary unemployment, from the point of view of our broadened framework his analyses demonstrated mechanisms that are associated with the supply model³.

High wage costs, high real wages, high collective expenditures, social regulation by the state are indicators of the actuality of the supply model. The supply model functions as a cause of social exclusion. The concrete causes in this case can especially be found in political developments.

The process can be summarized as follows:

1. Suppose there are restrictions on the supply side.
2. These restrictions on the supply side have a negative influence on the decisions to invest.
3. Economic actors decide to invest less.
4. Lower investments cause lower production, lower sales and therefore lower demand for employees.
5. Lower demand for employees influences the labour market as interchange zone between the economy and the social-cultural system.
6. The outcome is an imperfection in the labour market caused by supply restrictions.

The demand model.

The demand model primarily addresses the consumer market. Questions regarding insufficient consumer demand constitute the core of the model.

General questions to be answered include the following:

- Which characteristics of current forms of exclusion in the European Union are connected with the demand model?
- Are there structural demand conditions, producing social exclusion?
- Is it possible to identify the social groups, which are more relatively more vulnerable to social exclusion because of the actuality of the demand model?

³ It should be pointed out that, in the aggregate, efficiency wages do not always cause unemployment to increase. It has often been observed that efficiency wages tend to be most common in "industries that are concentrated, have high profits, and have relatively small labor shares." (Krueger and Summers, 1987, p. 40) So, the possibility has to be taken into account that modest losses in employment are offset by increases elsewhere.

- Are problems of effective consumer demand -to the extent that they lead to social exclusion, unemployment and a lack of social integration- related to forms and extent of part-time labour and further to practices of time-ordering and other processes within households?
- The role of new flexible time arrangements in reducing the social exclusion that is associated with unemployment has to also to be investigated.
- It will be worthwhile to relate processes and factors of social exclusion as they can be found within family, health, education and value systems as well as in the distribution of paid and unpaid labour within households to mechanisms associated with the demand model.

These and other questions can be answered by cross-national and longitudinal studies of values, lifestyles and private consumption, of opinions about the preferred set of societal arrangements and, finally, of commitment to labour and employment insofar as these phenomena can be seen to relate to exclusion, unemployment and integration.

Again, it is important to have a provisional list of theories and models of labour markets as well as of other relevant approaches which might cast light on the operation of the demand model.

The following list might be useful:

Keynesian and related theories

It seems useful to use economic theories that are elaborated in order to explain and analyze situations characterized by aggregate demand gaps. Their implications for the analysis of insufficient consumer demand have to be pursued.

As related theories we mention the Marxist theory of the reserve army and segmentation theories. Marxist theories have of course generally been underconsumption theories of some sort. Segmentation theories also frequently have implications for the level and distribution of consumer demand.

Schouten's model of 'monopoly-capitalism' (Schouten, 1980)

In the disequilibrium situation that he refers to as monopoly-capitalism it is the employers who 'enjoy' power advantages over the workers.

Under conditions of monopoly-capitalism Schouten expects negative effects on the level of effective (consumer) demand, i.e. the actuality of the demand model.

Efficiency wage models

As involuntary unemployment is one of the most important direct effects in efficiency wage models and the purchasing power of unemployed people is relatively low, the relevance of efficiency wage models for the study of the demand model is fairly obvious.

It is clear that the actuality of the demand model can be brought about in many ways. Some indicators are large price-rises, (real) wage reductions, cuts in benefits and excessive saving.

The process can be summarized as follows:

1. Suppose restrictions on the demand side.
2. Consumers decide to spend less.
3. Producers react with a decrease of production because of a decrease of sales.
4. The decision to produce less leads to a lower demand of employees.
5. An imperfection of the labour market has come into being caused by restrictions on the demand side.

A specific topic related to the demand model is the problem of the division of unpaid housework and paid full-time or part-time labour between partners in households.

The labour market is an interchange zone between the economy and the social cultural system. An important condition for a perfect labour market has to do with the balance which the parties to the labour contract have to strike in their relations with other people (third parties).

As human beings with other roles, responsible for children, partners, members of voluntary associations etc., employees seek to hold time sovereignty in order to fulfil these other roles. Employers are related to third parties like competitors, banks, subcontractors, many of them having to take response to the globalization of production and other changes in the international division of labour.

The labour market contract has to allow both partners to fulfil the requirements of the relations with their respective third parties. Under certain conditions, part-time work can favourably affect this balance. Equally important, in this context, are new training/education schemes, the development of new service activities and the vulnerability associated with new information and communication technologies.

The organization model

The organization model refers to situations in which what might be called Schumpeterian innovation ('new combinations') is inhibited. The model focusses, in particular, on lack of innovation -of products, of processes, and in markets- due to the way the function of entrepreneurship is performed.

In other words, the model is concerned with negative influences on entrepreneurship.

General questions to be answered include the following:

- Are the main characteristics of present forms of exclusion in the European Union connected with the actuality of the organization model?
- Are there structural organization conditions, producing social exclusion?
- Is it possible to identify the social groups, which, because of actuality of the organization model, are relatively vulnerable to social exclusion?

The vulnerability of the low qualified segment of the labour force is of crucial importance here.

- Comparative analysis of recent changes in labour relations and in labour market regulation and social policies has to answer the question whether and, if this is the case, to what extent these developments must be seen as causes of unemployment and of the deterioration of the conditions of the unemployed.
 - With respect to the voluntary sector the question will be asked whether, how and to what extent 'civic networks', 'civic engagement' (Putnam) and 'civil rights' (Schmid), encourage organization and entrepreneurship. This question necessitates an analysis of the role of solidarity.
 - It will be asked whether the modalities of the formation of inter-ethnic relations influence exclusion, unemployment and integration.
- Comparative case studies of the real life conditions, the experiences and views of the social groups concerned will be of great value, especially if they are conducted in combination with cross-national and longitudinal studies.

Cross-national, longitudinal and case studies will be needed in order to answer the questions listed above. They have to concentrate on the investigation of the interactions of social norms, solidarity and labour relations as they bear upon processes of exclusion, unemployment and integration.

A variety of theories and models of labour markets together with some other theories promises to be helpful in the analysis of the organization model.

The following list might be useful:

Schumpeterian theories about innovating entrepreneurship

As Schumpeter is rightly considered the pioneering author when it comes to the analysis of business innovation it seems obvious to consult his work and that of his followers in this area (Swedberg, 1991). It is to be expected that the distinction between 'entrepreneurs' and 'rentiers' can be usefully employed.

Theories stressing infrastructural services

The function of entreprenuring is dependent on the quantity and quality of the materials to be combined. Of the many relevant factors it suffices here to mention transport facilities, education, property rights and fiscal arrangement.

The theory can be drawn from a variety of literatures. We think of modern historical sociology and modern historical economics and the developments in modern institutional economics and rational-choice sociology (Groenewegen et al., 1995, Kerstholt, 1994)

Theories about comparative labour relations

The rich literature in this field hardly needs mentioning. We regard the theories about the labour market as an institution as an integral part of this literature.

We, however, like to stress that apart from the conditions under which cooperative and productive relations develop, special attention has to be paid to the problem of the compensation of the inevitable 'losers' in innovation processes.

The human capital theory

The human capital theory is relevant for the same reasons as theories about infrastructural services are listed above.

Indeed, the quantities and qualities of investment in human capital are essential to the process of making new combinations.

Efficiency wage models

Efficiency wage models are relevant here. But one should keep in mind that efficiency wages have exclusionary effects. This means that innovation and exclusion may coincide. The conditions under which this occurs deserve careful study, together of course with the conditions that help avoid this combination. Some interesting interactions of notions of a 'fair wage' and solidarity producing or not producing relations between employers and different categories of workers seem to be involved (Akerlof and Yellen, 1990).

The job-competition theory

The job-competition model envisages situations that combine innovations by entrepreneurs with routinely performed exclusionary practices.

If the organization model is actual, the execution of entrepreneurship is inhibited which causes a lack of innovation in the economy and a concomitant lack of inclusion of new labour supply. Members of minority groups, young entrants and women are the main victims. Exclusion increases and solidarity decreases. A division within the labour market between insiders and outsiders arises. In this case social developments cause exclusion.

Organization restrictions can have several causes:

- the existence of non-representative advisory bodies operating in the field of economic policy;
- an unbalanced profit rate;
- the absence of community level measures regulating allocation and distribution, aimed at giving direction to the economy. There are several possibilities here: a lack of general accepted goals of social-economic policy; the existence of free wage policy for the market sector in the absence of central agreements; the absence of a link between wages and benefits; too much or too little differentiation of wages; a lack of consensus about labour time; in general insufficient institutional arrangements between government and social partners.

Restrictions on the organization side cause a lack of innovation. The process can be summarized as follows:

1. There are restrictions on the organization side.
2. The actors of the community, especially employer and employee organizations, do not provide standards for the allocation and distribution of scarce resources and for the organization and combination of labour and capital.
3. The reaction of the economic actors results in a lack of innovation in the economy. The prevailing situation is maintained and there are limits to entrepreneurship. There is no synthesis of economic and social considerations.
4. Because of the lack of innovation there are few new jobs and few new enterprises.

5. The growth of new jobs stagnates and the employers decide to demand less new employees.
6. The conclusion is that there is an imperfection in the labour market resulting from organizational restrictions.

The model of the greedy economy

This model centres on cultural features that block the development of the levels of trust and foresight without which a society can not function well. Under the conditions of a greedy economy short-term interests dominate the choices managers, workers and consumers make, and 'gainful' transactions do not take place. The balance between present as well as future consumption and production is upset.

General questions to be answered include the following:

- Do the main characteristics of present forms of exclusion in the European Union bear any relation to the model of the greedy economy?
- Do conditions exist which hamper the development of the levels of 'trust' which are needed to generate the transactions that ensure the cooperation in the absence of which no 'gains from trade' can arise?
- Are there structural conditions which, given Europe's position in the world context, cause the actuality of the greedy economy?

In order to answer these questions cross-national and longitudinal analyses of both institutionally mediated and market determined socio-economic distributive outcomes will be set up, designed to elucidate their relationships to exclusion, unemployment and integration. Exceptional poverty will be analysed as an instance of social exclusion in contrast to the case of exceptional wealth. We shall try to explain the income-distribution and analyse the feedback of political, social and cultural developments, especially the impact of social exclusion on the performance of the economy. Important in this context is the interaction between local and national labour markets, and between the transnational and international monetary systems. By doing this new causes of social exclusion might be identified.

The theoretical apparatus needed to answer these questions will be borrowed from sociological, social-psychological and economic theories that highlight the behavioural consequences of lack of trust and foresight. Theories dealing with imperfect information, for instance resulting in moral hazard and adverse selection problems, will initially guide the research. Among these theories about the discretionary power of managers and its consequences will receive special attention.

The model of the greedy economy is a consequence of restrictions on the pattern maintenance of long-term economic orientation on productivity (loyalty, motivation). Restrictions on the pattern maintenance aspect of economy are related to motivations of economic actors which erode economic-cultural resources. This finds expression in:

- a strong orientation on money and the pursuit of gain in the short-term;

- an exceptional increase of the income of topmanagers and a decrease of the income (including benefits) of poor people;
- a careless attitude towards nature and environment.

Monetary developments contribute to the actuality of the model of the greedy economy. Important in this connection is the current institutional context of the monetary system which is characterized by:

- overconsumption, an imbalance between consumption and production;
- decreasing investment rate, saturation of investments;
- no fixed exchange rates and insufficient supervision of the money markets by the monetary authorities;
- weak links between the financial capital used for speculative purposes, and capital that is put to use for prosperity enhancing trade and for productive investments;
- short-term speculation.

A short term reaction to this financial uncertainty is flexibility of the labour market. In the model of the greedy economy the turbulence in the financial market is passed on to the labour market resulting in a sharper division between the poor and the rich people. We are especially interested in the feedback effect of social exclusion on the social and economic performance of the economy.

6.3.4 Idealtypical deviations from the optimal situation of interpenetration

In the optimal societal situation of interpenetration the relationships between the four institutions -Economy, Polity, Community and Social-Cultural System- are strongly developed. There is specialization or differentiation. The institutions have the capacity to meet the functional requisites of adaptation, goal-attainment, integration and pattern-maintenance. At the same time integration is brought about by processes of communication and by exchanges of inputs and outputs: e.g. mediated by the functioning of dense, horizontal networks and reciprocity. Dynamics and controlling go hand in hand. The capacity to adapt to the environment is well-developed. The same can be said about the level of internal integration. Parsons has referred to this type of social system as 'Society' (Parsons, 1977: 182). 'Society' is therefore an idealizing, not-descriptive concept.

Münch (1982) has introduced four deviating societal types:

- conflict;
- adaptation;
- rigid system;
- isolation.

In the case of conflict the separate institutions are strong. The exchange-zones, however, are weak. There is no communication between the actors and the result is conflict. There is no basis for compromises.

In the societal type of adaptation the dynamic institutions, i.e. economy and polity, are dominating the controlling institutions, the community and the social-cultural system.

Dynamic prevail, directional stability is absent. The situation is characterized by flexible market dynamics which suppresses justice and security. There is flexibility of employees, but no flexibility for employees. In other words the time-sovereignty, which would allow the employee a measure of freedom in the organization of her/his working time, is missing. (Elchardus 1996: 14).

With respect to the case of adaptation the judgment of Scott Lash is relevant: "The point I want to argue here is that the ghetto has been emptied out of all these economic and social-cultural institutions - of markets, labour markets, commodity markets and capital markets; of the industrial branch plants of corporate hierarchies, of corporatist institutions such as trade unions, of welfare institutions, and of regulation by the family ... Disorganized capitalism ... brings what Wacquant has called the "hyperghetto", in which all these institutions disappear from the ghetto. The result, and that is the basis of the constitution of the black underclass, is a deficit of such institutional regulation" (Scott Lash 1994: 161-162).

A third type is the rigid system. Here the controlling institutions strongly prevail over the dynamic institutions. This societal type is the reverse of the societal type of adaptation.

A last type is isolation. There is differentiation between the four institutions. But the actors do not relate to each other. There are no mutually supporting exchanges. So societal performance is suboptimal.

6.3.5 Deviations from the perfect labour market

The perfect labour market combines flexibility with security; we refer to this combination as flexsecurity. There are two main deviations from the perfect labour market:
the flexible labour market without controlling which implies the absence of security;
the rigid labour market without flexibility.

Characteristics of the flexible labour market without security are:

- a bad correspondence between human capital and technological resources, caused by technological determinism and the dominance of occupational and labour market education over general education;
- the prevalence in the employment contract of the interests of employers with respect to each of the AGIL-aspects.

The characteristics of the rigid labour market are the opposite of the characteristics of the flexible labour market without security. The interests of employees are prevailing.

According to Parsons and Smelser (1956: 173-175) a systematic classification system of market imperfections can be built in five steps.

The first step is to locate the place of the interchange zone of the market. Relevant here is the interchange zone between economy and the social-cultural system.

The second step is the choice between the possibilities of the consumers' market or the labour market as interchange-zone. Here the choice is the labour market.

The third step takes account of the aspects of adaptation, goal-attainment, integration and pattern maintenance which govern the market transactions.

In a fourth step we can establish which aspects are especially relevant for some markets, and assign them their proper weight.

The last step bears upon direction in which the aspects of adaptation, goal-attainment, integration and pattern maintenance gravitate: in the direction of the economy, the employers, or in the direction of the social-cultural system, i.e. the employees.

We can utilize this strategy to redefine the perfect labour market and the three types of labour markets, which are mentioned in section four: the occupational markets, the internal firm-bounded markets and the non specific open markets.

Parsons and Smelser employed three sub-types of the labour market (1956: 147-156) which are very similar to the three types we referred to. They distinguish the following types:

- markets for labour services at a low level of technical competence and involving low degree of organizational responsibility = non-specific open labour markets;
- markets for executive services = partly occupational markets;
- markets for professional services = partly internal firm-bounded markets.

In the perfect labour market the goal-attainment aspect has a high weight. There is no specific advantage for either the employer or the employee. Occupational markets are structurally similar to the perfect labour market. The aspects of goal-attainment and integration are also heavily weighted. Employees are relatively more interested in the integration aspect whereas employers are more interested in the adaptation aspect. Internal firm-bounded markets especially emphasize the internal aspects of the employment contract: the aspects of integration and pattern-maintenance. The aspect of adaptation is only weakly emphasized. The interests of employees are important for the goal-attainment aspect and interests of employers for the adaptation-aspect. The non-specific open labour markets are strongly tilted in the direction of the interests of employers. The aspects of adaptation and goal-attainment are very important here.

7. Application of the theory on the module Households and Working Time Flexibility.

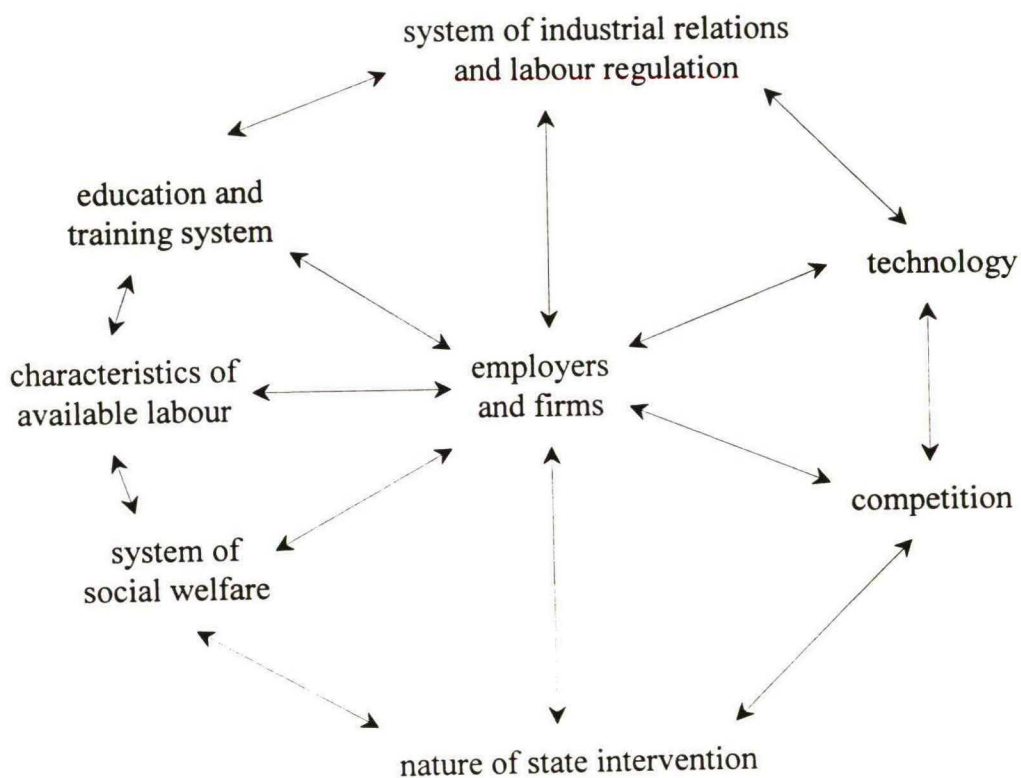
7.1 Introduction

Our theoretical framework can be applied to and used for the three empirical modules of the TRANSLAM-program. We, i.e. the Department of Sociology of Tilburg University, are involved in two modules: Active Labour Market Policies, and Households and Working Time Flexibility. In the current phase of the program the module Active Labour Market Policies has not yet progressed up to the point that we have enough information about the countries that we want to compare.

For the module Households and Working Time Flexibility we have at our disposal the concept-reports for seven countries. In this section we shall try to apply the theory to this module. Based on the materials in the reports we will attempt to give an account of the developments in the seven countries in terms of our theoretical framework. Should this turn

out to be possible, we will conclude that theoretical framework might be of use for the module Households and Working Time Flexibility.

In her book '*Banking on Flexibility*' Jacqueline O'Reilly has developed an integrated societal and gendered approach to cross-national employment research. The key factors, which influence employers policy, are summarized in scheme 12 (Jacqueline O'Reilly, 1994: 260).



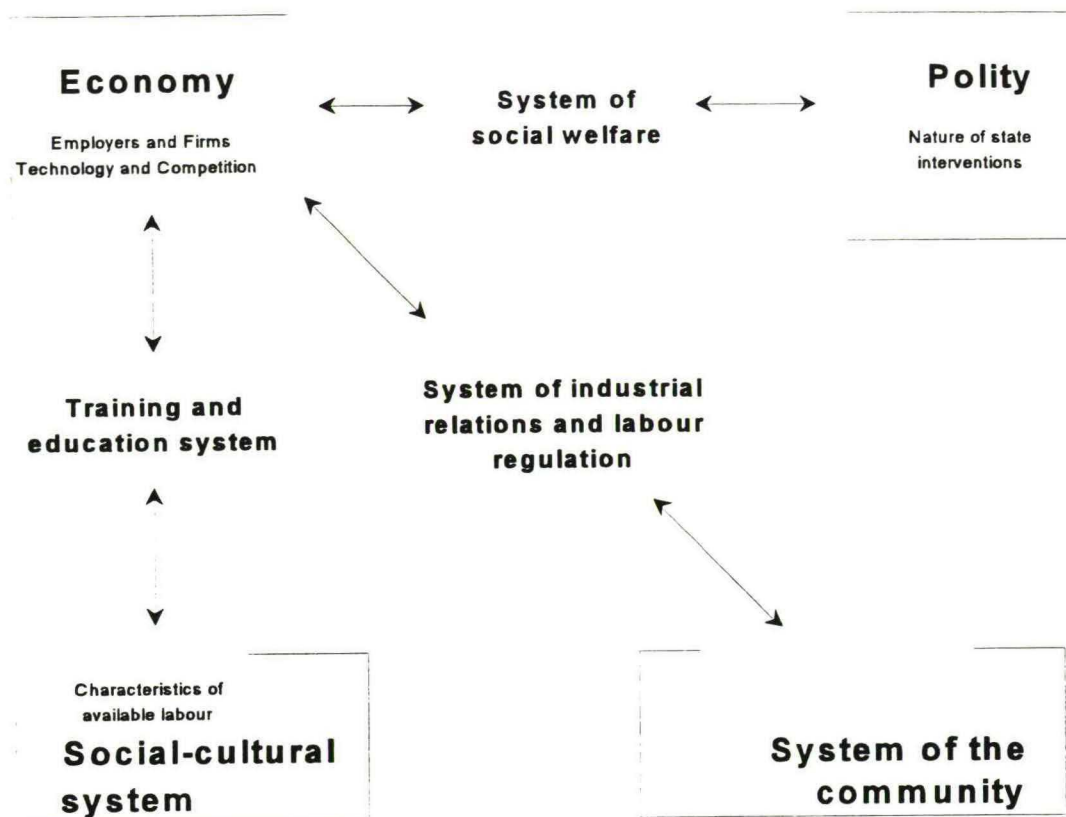
Scheme 12: An integrated societal and gendered approach to cross-national employment research

Source: Jacqueline O'Reilly (1994). *Banking on Flexibility. A comparison of flexible employment in retail banking in Britain and France*. Aldershot - Brookfield USA - Hong Kong - Singapore - Sydney: Avebury, 1994: 260.

In scheme 12 employers and firms have been assigned the central position. Factors outside the firm influence the actions of employers and firms. There is always two-way relationship. There are important relationships between seven outside factors and employers and firms; the outside factors also influence each other. In addition to the employers and firms the main factors are:

- the system of industrial relations and labour regulation;
- the education and training system;
- characteristics of labour;
- the systems of social welfare, tax and child care provision;
- the nature of state intervention;
- competition and technology.

It is possible to integrate Jacqueline O'Reilly's scheme into our theoretical approach. All variables appear in our institutional and figural theory as well. See scheme 13.



Scheme 13: An Integrated Socio-Economic Approach for Cross-national Employment Research

Employers and firms are placed within the Economy. Within the Economy, more specifically in the context of international competition, the technology mainly fulfills an adaptive function. Developments within the Polity are designated by the nature of the state intervention. The system of social welfare is an interchange zone between Economy and Polity. The system of industrial relations and labour regulation are interchanges between Economy and Community. We have mentioned the characteristics of available labour within the social-cultural system. The education and training system is, together with the labour market and consumption market, an interchange-zone between Economy and the Social-Cultural system.

The module Households and Working Time Flexibility is connected with the interchange zone of the labour market. An important function of the Economy is adaptation to the environment which implies flexibility. For the module Households and Working Time Flexibility the first direct condition of the perfect labour market is particularly important. Within the perfect labour market model this function appears in the adaptation function of the labour contract. A balance must be struck between the interests of third parties to which employers and employees relate. Employers and employees stand in a set of adaptive relations to other units. The ability to function in other contexts must be preserved. Therefore employers in the optimal situation prefer flexibility of working time, make optimal use of human and technological capital and prefer to carry out their obligations to third parties:

banks, consumers, sub-contractors etc. In the perfect labour market the flexibility of working time is such, that the employees have secure jobs, sufficient income, enjoy a measure of freedom, time sovereignty in order to take care of domestic obligations, to combine paid work and care activities, and to fulfill other roles. On the other hand, domestic requirements have to be adjusted in order to enable the fulfillment of occupational obligations. The problem is to strike a balance. The regulation of the demand of time for work is obviously one of the main mechanisms which facilitates this balance' (Parsons and Smelser 1956: 115). The perfect labour market combines flexibility with security: flexsecurity.

The boundary condition and the other three direct conditions of the perfect labour market are not strongly connected with the theme Households and Working Time Flexibility. Which does not mean that they are unimportant. Therefore we repeat:

- boundary condition: the necessity of a good combination of human and technological resources due to a well functioning threefold system of 1) general, non-occupational education, 2) intermediary zones of re-training and apprentice systems etc. and 3) internal training within firms;
- the goal-attainment condition of the labour contract: a balance between labour output, productivity and wages and therefore a power balance between capital and labour;
- the integration condition: quality of work, good conditions of employment and quality of labour services;
- the pattern maintenance condition: a balance of value pattern.

There are two deviations from the perfect labour market. The first deviation is the flexible labour market without security. In this case employers have a power advantage. Characteristics of this type labour market are:

- the dominance of flexibility over security;
- a bad tuning of human capital and technological resources, caused by technological determinism;
- the dominance of occupational and labour market education over general education;
- one sided flexibility of working time, without enough freedom from work involvement to adapt to certain household exigencies and to combine the work-role with other roles;
- a time buffer function of the housewife which allows the integration of the time-frame-works of labour, leisure, care work, education etc. within households;
- a low level of legal regulation of labour with regard to hours of work, hiring and firing practices, and weak social regulation regarding the combination of paid work with care work;
- no power balance between capital and labour, but one-sided power of employers;
- bad quality of work, fringe benefits;
- low motivation of employees because of non-attractive jobs.

The second deviation from the perfect labour market is the rigid labour market without flexibility. In this case employees and labour unions occupy the stronger power positions. The characteristics of the rigid labour market without flexibility are the opposite of the characteristics of the flexible labour market without security.

In a number of steps the topic of 'Households and Working Time Flexibility' can be built into the systematic classification system of market imperfections:

1. We can locate the place of the interchange zone between economy and the social cultural system;
2. The relevant market is the labour market;
3. In this step we take account of the aspects of adaptation, goal-attainment, integration and pattern maintenance which govern the market transaction;
4. We can establish which aspects are especially relevant for some labour market imperfections and assign them a proper weight;
5. We indicate the direction in which the aspects of adaptation, goal-attainment, integration and pattern maintenance are gravitating: toward the Economy, i.e. the employers or toward social-cultural system, i.e. the employees.

We can also use the four deviating societal types of conflict, adaptation, rigid system and isolation to characterize developments in the flexibility of working time.

It is more difficult to use our theories of the middle range: the supply, the demand, the organization model and the model of the greedy economy. The use of these models requires more information about interchanges at societal level. The concept reports on Households and Working Time Flexibility did not contain such information. We shall use these models in empirical analyses that bear upon the theoretical module on transitional labour markets and employment systems.

Let us apply now this theoretical framework to the concept reports on Households and Working Time Flexibility. We shall first use the boundary condition and the four direct conditions for the perfect labour market. Subsequently we will use the typology of societal types.

7.2 Application of our theoretical scheme to the module

7.2.1 Boundary condition and the four direct conditions for the perfect labour market

Boundary condition: a good combination of human resources and technological resources.

In the reports there are no remarks about this boundary condition for a perfect labour market.

Adaptation condition: a balance between the interests of third parties, connected with the employer and employee.

In several reports we find remarks about this condition. There is a strong relationship between the theme of 'Households and Working Time Flexibility' and the first condition of the perfect labour market.

In the French report Jean-Yves Boulin, Michel Lallement, Gilbert Lefevre and Rachel Silvera write the following. It could be advantageous to split the working hours of employees and the operating hours of the material infrastructure (p. 8). Overtime in France, however, is a much

used strategy. 'In 1991, overtime represented the equivalent of 680.000 full-time jobs' (p.8). This use of overtime 'indicates above all a desire to control the labour force with the greatest possible precision' (p. 14). In France we see no balance, but a prevalence in the employment contract of the interests of employers.

In Germany we also see a lack of balance. The downward mobility of women reentering the labour market 'is due to the fact that there is a limited number of secure part-time jobs, and much of the part-time employment that is available is more precarious' (p.6). 'In terms of child care there are practically no daycare facilities for children under 3 ... This makes it very difficult for mothers with young children to combine care and paid employment', is the comment of Jacqueline O'Reilly and Silke Bothfeld (p. 6). Here we see a clear example of a deviation from the first direct condition of the perfect labour market.

In Ireland working time flexibility has received little support from trade unions, so write Philip J. O'Connell and Fran McGinnity (p. 3). Perhaps the trade unions prefer the rigid system that clearly does not represent the optimal situation of interpenetration. 'There is a fear that they may be introduced unilaterally by management, and also that their introduction would lead to reduced overtime earnings' (p. 3). Employers are reluctant to encourage job sharing opportunities (p. 4). The employers have won the struggle. 'Similarly, the increasing preference of employers for temporary workers is seen as a trend towards increasing flexibility in the work place in order to increase capacity utilization, cuts costs and improve productivity' (p. 7). Interests of employees, work security and justice, are not fulfilled.

Because of the rigid system within the firms, the employers in Spain are not provided with many tools for internal workforce adjustment, reports the Spanish TRANSLAM-team (p. 1). 'They use external workforce adjustment (generally dismissals) instead. Overtime is also highly used in Spain, despite its cost. In fact, there has been a greater use of overtime in 1995 due to the economic recovery. Beside this, since fixed-term employment was liberalized in 1984, the proportion of fixed-term employment has surpassed 30% and workers on these contracts have suffered a great deal of the burden of workforce adjustment. Fixed-term employment has been the Spanish tool for job-sharing, the way of filling the same jobs with different people' (p. 2).

Mark Smith makes remarks about the situation in the United Kingdom, which we can relate to the first condition of the perfect labour market. We see a clear deviation from this first condition ever since 1993. 'Engineering agreement in the UK between the engineering unions and employers' association was particularly influential in setting a benchmark for basic hours and pressure for reduced basic working time. The agreement and centralized negotiations of terms and conditions collapsed after pressure for working time reductions concentrated on the largest firms and led to their departure from agreement' (p.1). 'No working time legislation apart from restrictions for youth workers aged under 16 (hours and unsocial)' (p. 1). 'The UK has the highest share of workers working more than 48 hours (the working time directive limit)' (p. 1). 'There are some job sharing opportunities in the public sector but the take up is generally low' (p. 2). 'High rates of unsocial hours working in the UK compared to rests of E12' (p. 3). 'Overtime: no statutory limits or regulations' (p. 4). 'Overtime is endemic in the UK leading to the longest hours in Europe and the highest shares of workers doing more than

48 hours' (p. 4). 'Collective agreements have not been particularly good at protecting part-timers except in the public sector' (p. 5). 'No statutory regulation specifically referring to part-time employment' (p. 5). 'The UK vetoed the EC parental leave directive and the agreement reached by the social partners will only apply to 14 member states due to the UK Maastricht opt out' (p. 7). 'Poor employment protection in general in the UK means that it is not necessary to use fixed term contracts to provide flexibility as workers can be dismissed easily' (p. 10).

In The Netherlands we discern something of a trend in the direction of the first condition of the perfect labour market. 'Despite this perception, in 1982 the social partners approved an agreement, setting out more decentralized and flexible working relations. Based on the principle that co-operation was necessary to increase the profitability of firms, and with a view to promoting employment growth, this agreement provided for wage moderation in exchange for a reduction in working time. It was also agreed that responsibility for employment conditions would be fully decentralized and entrusted to collective bargaining on a sectoral and company level', so say Harry Zanders and Claudia Koerhuis (p. 3). We suppose, however, that Sweden more closely approaches the first condition of the perfect labour market than does The Netherlands.

In Sweden we see a situation, in which the first direct condition of the perfect labour market is more fulfilled than in France, Germany, Ireland, the UK and perhaps also The Netherlands. 'One salient feature of working time policy during this period was the creation of conditions for greater flexibility in individual working time over the life cycle while preserving firms competitiveness', so write Dominique Anxo and Donald Storrie (p. 3). They add remarks, which are in congruence with the theory of the perfect labour market: communication and negotiation against a background of trust are necessary for the condition of interpenetration in the perfect labour market. 'Such a policy could not succeed without a broad and active cooperation between the social partners. This move to a *negotiated flexibility* as part of an economic policy which rejects social exclusion and employment insecurity has been one of the focal points of working time policy in Sweden' (p.3). 'As for as Sweden is concerned, it is the combination of institutional and societal aspect such as a permissive legal framework for leave of absence and the decentralisation of the decision making process concerning working time which insure smooth working transitions during life cycle' (p. 8). 'Actually, part-time work in Sweden constitutes along with the various forms of legal absenteeism, a means to regulate and combine household activities and market work and promote a more equal gender division of labour' (p. 12). 'To sum up, we may conclude that the Swedish taxation system, the parental and study leave system and to a lesser extent the rise in child-care has not only accelerated female labour force growth and secured the position of women in the labour market but has also constituted a policy instrument to increase individual working time flexibility over the life cycle and facilitated smooth transitions between household activities, training and the labour market. In Sweden, statutory leave of absence combined with the scope for individualizing working time over the life cycle is therefore a means of promote smooth transition and equal opportunities between gender' (p. 21).

Goal-attainment condition: a balance between labour output, productivity and wages and therefore a power balance between capital and labour.

In the reports on Germany, The Netherlands and Spain there are no remarks about this second condition for the perfect labour market.

In France there is no power balance. 'While historically, the initiative for changes in the regulation of working hours has always been that of the unions, the employers are now in driving the process' (p. 6).

In Ireland we also see a disbalance of power. 'Overtime working, in particular, remains a popular way of accommodating fluctuations in demand, for both employers and employees in Ireland' (p. 4). Employment levels are being not constrained by labour legislation. 'The report went on to indicate that, in general, labour costs were of greater concern to enterprises, both in regard to actual wages and associated costs such as PRST payments' (p. 5). Lack of market for extra production is a reason not to expand employment (p. 5).

In particular in the United Kingdom we see a deviation from the second condition of the perfect labour market: there is no power balance between capital and labour. 'Low levels of pay in many low status occupations encourage many people to work long hours as a matter of necessity while in higher paid occupations, such as professionals and managerial workers, many be caught up in the culture of long hours. The lack of regulation and limits on working time makes overtime a very popular tool to provide employers with flexibility leading to long hours', so writes Mark Smith (p. 1). 'Low pay acts as a disincentive for working time reduction and working shorter hours without another source of income. A minimum wage in the UK may reduce very long hours in some areas of employment' (p. 2). 'Part-timers earning UK £61 or less than a week are excluded from national insurance contributions (NIC) and therefore the non-means-tested unemployment benefit' (p. 5). 'Sort-time work. To avoid redundancy where it can be agreed but the low levels of pay may act as a disincentive' (p. 11).

Sweden is closer to a power balance. 'The Swedish tax policy has also contributed to the sharp increase in female participation. The shift in Sweden in 1972 from family-based to individual income taxation treatment has encouraged the labour force entry of wives' (p. 17).

Integration condition: quality of work, good conditions of employment and quality of labour output.

In the reports there are few remarks about this third condition of the perfect labour market.

'Since 1982, it can be seen that the greatest contribution to the creation of new jobs has been made by part-time employment. This form of employment applies mainly to the less qualified type of worker, and it is most commonly applied to female workers' (French report: p. 13). The situation for women in France can be negative regarding the quality of life. 'These two characteristics, namely continuous working and a lower part-time rate, are indicative of a model of the "cumulative" type (a full-time professional life and a family life) which corresponds well to the French situation' (p. 15).

This situation in France contrasts with the situation in Germany. 'Ostner (1993) argues that social policy in Germany has tended to encourage women, especially in the West, to withdraw from the labour market after childbirth and re-enter at a later stage' (p. 5). 'Maier et al. (1994) argue that the downward mobility that German women experience on re-entering the labour market is due to the fact that there is a limited number of secure part-time jobs, and much of the part-time employment that is available is more precarious' (p. 6).

Mark Smith makes the following observation about the situation in the UK. 'As a result of the concentration of part-timers in low level occupations transitions from full-time to part-time employment can involve a move to lower status occupations' (p. 6).

Dominique Anxo contrasts Sweden with other Western countries. 'The nature of part-time work seems very different in Sweden than in other industrial countries. While in Sweden there are substantial legal opportunities to change working time over the life cycle, part-time work in several countries in Europe is frequently synonymous of job insecurity. In contrast to Sweden, the growth of part-time work in Europe occurred against the background of high unemployment where women have been subject to employers short-term employment adjustment. Hence, part-time is often concentrated in sectors with high employment rotation and short-term contracts. On the other hand, in Sweden, the incidence of involuntary part-time has been low and the possibility to shift from part-time to full-time work seems not to present major difficulties. Part-time work in Sweden may be considered more as an historical transition from married women inactivity towards a strategy, largely initiated by the government, to strengthen female labour market commitments' (p. 11-12).

Fourth condition: a balance of value pattern.

In the reports we find little information about this fourth condition of the perfect labour market.

7.2.2 Idealtypical deviations from the optimal situation of interpenetration

We can also use the typology of societal types: conflict, isolation, adaptation, the rigid system and the reference-type of interpenetration.

The societal type of conflict.

In Europe it has frequently been the case that the societal type of conflict produced social change. It is only in the French report that we find a remark. 'During the first half of the twentieth century, social conflict got into its stride, and became the genuine engine of social change' (French report, p. 3).

The societal type of isolation.

With regard to the societal type of isolation the reports do not contain many indications. More information is provided about the actuality of both the rigid system and the societal type of adaptation.

The societal type of the rigid system.

The reports mention indications of the actuality of the rigid system during the sixties, the seventies and the beginning of the eighties. In the beginning of the eighties there is a reaction to this rigid system. It is striking that the reaction to the rigid system takes place in several countries at about the same time. What is the cause of this conspicuous fact? Could it be a consequence of the oil-crisis? Perhaps the reaction has outlived itself, and are we now observing the rise to prominence of the societal type of adaptation becomes actual.

We will first give examples of the rigid system. In the rigid system the controlling institutions prevail over the dynamic institutions. 'In order to promote a policy of work sharing, successive socialist governments added a series of arrangements aiming at the reduction of working hours at the company's level to the existing legislative frame. Some of these did not succeed. This was the case for the so called "contracts of solidarity" in 1982, which were intended to encourage firms to reduce working hours and to hire additional staff or at least to maintain the level of employment by offering them exemptions from certain social contributions and premium....The overall results achieved were disappointing on the whole, and from 1984 the tone of the discourse altered. In a context of continuously increasing unemployment, any improvement in the employment situation was seen to depend on an improvement in the competitiveness of companies, to be acquired through greater flexibility' (French report, p. 4-5).

'During the 1980's demands for a reduction in working time to a 35 hour week were made under conditions of relative prosperity and economic stability. Within trade union, leftist and academic circles there was also a discussion about promoting greater time sovereignty, where people had more autonomy to choose the working hours which suited them' (German report, p. 2). 'The Bismarckian system upheld difference in opposition to general levelling, or equality principle, associated with universal citizenship' (p. 5). 'The social welfare system which is largely based on the Bismarckian insurance principle clearly distinguishes between insiders (contributors) and outsiders (non-contributors)' (p. 8).

'Historically the social welfare system has not been conducive to flexible working arrangements, although recent changes have reduced some of the disincentives to flexibility inherent in the system' (Irish report, p. 9).

Very interesting, informative and indicative for the rigid system are the remarks in the Spanish report. 'Our industrialization process was promoted with public funds (through the INI, or National Institute of Industry) during the Franco dictatorship in the sixties. This had a strong influence on the peculiar national economic culture, whose main features are the little managerial spirit, the low managerial modernity and the lack of firm labour unions' (Spanish report, p. 2). 'On the whole, we can say that the debate on working time flexibility is still very recent. It has to do with the handicap of the short Spanish experience in collective bargaining and social dialogue, beside the specific troublesome features of our labour market (rigidity, low ability of creation of employment)' (p. 4).

'In the 1980's, the left-wing political parties and the trade unions were more concerned with the preservation of the merits of the welfare state than with promoting flexibility. Their perception was that the experience of flexibility in the United States had produced negative results' (Dutch report, p. 3).

In Sweden we see little evidence for the existence of a rigid system in the past. 'While working time has been a key component of Swedish welfare policy, governments and the social partners have consistently refused to consider an across-the board reduction of working time as an effective means of combatting unemployment' (Swedish report, p. 3).

The societal type of Adaptation.

In the societal type of adaptation the dynamic institutions, the economy and the polity, dominate the controlling institutions, the community and the social-cultural system. Dynamics prevail. The situation is characterized the dynamics of flexible markets, which suppress job-security and justice. In the eighties and nineties we see examples of the societal type of adaptation in Western Europe.

'The greatest change, however, was the delegation of authority to branch level to negotiate more flexible schemes for the organization of working hours' (French report, p. 4). 'The overall results achieved were disappointing on the whole, and from 1984 the tone of the discourse altered. In a context of continuously increasing unemployment, any improvement in the employment situation was seen to depend on an improvement in the competitiveness of companies, to be acquired through greater flexibility' (p. 5). 'These original measures are aimed, not at sharing the available working hours, but at making this use more flexible' (p.5).

'To the end of the 1980's and early 1990's greater emphasis has been given to improving working time flexibility within a context of growing international competition and increased difficulties in the labour market, which are also associated with the reunification process' (German report, p. 3). 'The gender specific nature of labour market transitions can also be seen for example in the take up of short-time and part-time work: the former tends to be found in traditional, trade union and male dominated industries, whereas part-time work is seen as a preserve of women' (p. 5).

'The labour market in Ireland has become increasingly regulated in recent years with the result that the Irish labour market institutions have moved closer toward the continental European model of labour market regulation and away from the voluntarism it inherited from the British tradition. Nonetheless a survey of employers conducted for the then Department of Labour in 1986 did not suggest that employment levels are being constrained by labour legislation' (Irish report, p. 5). 'Similarly, the increasing preference of employers for temporary workers is seen as a trend towards increasing flexibility in the work place in order to increase capacity utilization, cut costs and improve productivity. This trend is particularly evident in the services sector' (p. 7).

Particularly in the UK we see a trend towards the societal type of adaptation. We base this diagnosis on the remarks of Mark Smith that were cited when we discussed the adaptation

condition and the goal-attainment condition of the perfect labour market. Here we add the following remark of Mark Smith. 'The structure of the national insurance system acts as an incentive for employers to make low paid part-time jobs to avoid paying contributions. Making low paid full-time jobs into part-time jobs can save employers a considerable amount of money' (p. 5).

In The Netherlands, in the late nineties, we also observe clear indications for the actuality of the societal type of adaptation. 'In the late 1980's the Dutch government assigned primary responsibility for policy on working conditions, including labour market flexibility, to the social partners. The current government favours more flexibility of the labour market and calls for an enhanced role by the social partners' (p. 3). 'Flexibility in general is advocated as a means for enhancing the competitiveness of the economy and the cost-effectiveness of firms. Flexibility is called for at both company and labour market levels. Freedom of contracts, decentralisation and deregulation are key-words for the employers' (p. 4). 'An explanation of the growing number of part-time workers in The Netherlands can be found by the degree of coverage by labour law regulations. The Netherlands had low coverage and a high proportion of part-time work. Combined with a tax policy that exempts low income from tax payments and a low degree of child-care provisions and a growing employment rate of women, Dutch employers seem to employ female part-time workers in the most flexible and cost-effective way' (p. 21). 'Employers have stressed the need for more flexible arrangements, such as: 'on-call'-contracts, minimum-maximum contracts and zero-hours-contracts. This means an uncertain situation for employees. They are dependent on their employer when and how much they can work and those involved have little legal protection' (p. 22).

The situation in Spain is not so clear. On the one hand, Spain has a rigid system. See the remarks under 'The rigid system'. Internal workforce adjustment is difficult. Overtime is very frequent in Spain. The firing costs for permanent employment contracts are high (Spanish report, p. 2). Adaptation takes place on the external labour market thanks fixed-term employment. 'Beside this, since fixed-term employment was liberalized in 1984, the proportion of fixed-term employment has surpassed 30% and workers on these contracts have suffered a great deal of the burden of workforce adjustment' (p. 2).

For Sweden there is little evidence for the actuality of the societal type of adaptation. Only one remark of Dominique Anxo and Donald Storrie hints in this direction. 'Thus, the individual flexibility of the generous leave arrangements also provides flexible employment forms for the employer and leads to insecure employment contracts for the leave replacement employees' (p. 30).

The conclusion of this section is that our theoretical framework can be useful in the study of Households and Working Time Flexibility. In some countries, in particular Sweden, The Netherlands, Germany, and France there are indications of developments in the direction of interpenetration. However, we close with a remark made by Jacqueline O'Reilly and Silke Bothfeld. 'A key issue in German industrial relations at present revolves around the extent to which this model of co-determination can be maintained under increasing economic pressures coming both from home and abroad' (p. 4).

8. Some concluding remarks

In this paper we have tried to broaden Schmid's theoretical conception of the transitional labour market. The goal was to propose a more comprehensive theoretical framework that, conceived as a formal model, may sensitize researchers to possibly relevant factors, actors and processes.

We have used a neo-functionalist theory as the organizing guideline. The main reasons for this choice are its comprehensiveness and the fact that it provides us with a conception of equilibrium.

By linking the chosen framework to Boudon's explanatory scheme we have suggested a way to connect the abstract concepts of the general model to causally interpretable observables which are organized in terms of simplified models.

In the section discussing some middle range theories about deviations from the optimal societal situation we proposed a number of more specific research themes that will be addressed in subsequent research. We also made some suggestions as to which theories might be usefully applied in the analysis of deviating situations.

Section 7 offers an application of the theory to the problems which are studied in the module Households and Working Time Flexibility*.

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